

UNITED STATES CIVIL SERVICE COMMISSION  
BUREAU OF RETIREMENT AND INSURANCE  
WASHINGTON 25, D. C.

Explanatory Notes Applicable to Interim and Annual

Accounting Statements

Federal Employees Health Benefits Program

Purpose of Statements

Financial reports with respect to operations under the contract are necessary for the Commission's administration of the program. Experience under the contract must be evaluated at selected intervals during the contract period as well as at the end of the contract period.

Timing of Statements

Four statements were required for the first contract period of the program because of the 16 month period. However, only three statements are required per contract year until further notice.

<u>"As of" Date of Report</u>	<u>Period to be Covered</u>	<u>Due in CSC</u>
March 31, 1962	5 months	June 1, 1962
June 30, 1962	8 months	September 1, 1962
October 31, 1962	12 months	No later than February 1, 1963

The above schedule is applicable for the contract year, November 1, 1961 to October 31, 1962.

Format of Statements

The design of the accounting statement is determined by the provisions of the contract. The carrier should follow the format provided or make special arrangements for any deviation.

For the first contract period, "Beginning of the year," line items are not applicable; however, for plans reporting for the second contract year operations these items are important accrual items.

Subscription Charges

Item 1A, Subscription charges received shall agree with the cash received in the calendar months covered by the statement. Checks received from the Employees Health Benefits Fund (hereinafter called Fund) dated the 25th of the month for which the cumulative statement is prepared must be included as received even though not deposited.

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Item 1B(2), Subscription charges accrued end of period shall agree with the subscription charges received from the Fund subsequent to the "as of" reporting date but applicable to the pay periods "as of" the reporting dates. The SF's 1166a accompanying certain checks will show, for example:

Collections for pay periods ending:

<u>Date of Check</u>	<u>3/31/62 and prior</u>	<u>4/1/62 and after</u>
4/10/62	\$45.00	\$----
4/25/62	27.50	12.50
5/10/62	7.50	37.50
	<u>\$80.00</u>	

In this example, the \$80.00 will constitute the actual accrual of subscription charges as of March 31, 1962 for reporting purposes. Interim statements have been scheduled for submission to the Commission sufficiently after the "as of" date, in order to recognize the information furnished on SF 1166a with each of the three checks following the end of the reporting period.

Item 1B(2) for the October 31, Annual Accounting Statement must be reported on the basis of the SF's 1166a received in November and December reflecting receipts applicable to the previous contract period.

Health Benefits Charges

Health benefits charges are to be segregated between (1) hospitalization charges and (2) physicians' and related charges. This segregation will generally be based on the same definitions used in reporting statistics under the Program.

Health benefits paid represent charges and claims actually paid (disbursed) which are no longer liabilities to the plan. For plans making cash benefits payments to hospitals, doctors and enrollees, the actual payments made during the reporting period should be reduced by any refunds. For comprehensive medical plans where the charges for health benefits represent the contract's share of clinic or hospital operating costs, this item may be stated in terms of accrued costs rather than paid costs and any supplemental fees for services (\$1.00 per shot or office visit, \$5.00 per home visit, etc.) will be deducted from the gross value of the health benefits charges before reporting such charges in the statement.

Health benefits accrued represent charges and claims incurred for which cash disbursements have not yet been made for benefits rendered. This item for each statement submitted will be supported by an attached schedule showing in detail the method by which the accrual is derived.

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### Expenses and Risk Charges

Actual incurred administrative charges will be supported by an attached schedule or reproduction of workpapers as to type of service, such as salaries, rent, travel, supplies, etc. If practicable, these expenses should also be functionalized to such work areas as eligibility files, benefit processing, accounting, statistics, management, etc. Administrative costs may be prorated between "High Option" and "Low Option" in the ratio of the respective subscription charges unless the cost of the various functions should more appropriately be distributed on different ratios, i.e., eligibility files on the basis of enrollment, benefit processing on the basis of claims processed, etc.

If actual incurred expenses as shown by the supporting schedule are in excess of the amount allowable shown in parenthesis, the amount allowable will be reflected as "Actual incurred administrative charges" on the statement.

Actual accrued taxes, if applicable, as used in this statement mean taxes or governmental fees based on subscription charges. Employer's share of payroll taxes, real estate, and similar taxes, are to be classified as administrative expense, and not shown in this item.

Memo only items are to be placed in parenthesis ( ) in the amount columns and are not to be included in the subtotals. These items are for comparison purposes.

% indicates that the carrier should insert the percentage applicable to the item as shown in the current contract.

### Cumulative Gain (or Loss-)

This section of the report is used to reflect the cumulative status of the program.

Income on investments (current year) should be supported by an attached schedule showing how the net income was derived. If investments are purchased directly from contract income and identifiable as assets of the contract, an investment schedule should show the dates purchased, type of security, purchase price, current value and any other pertinent information to support the income item. If investment income is credited on the basis of an average rate of return on all investments of the carrier, the determination of the rate and the computation of the income should be thoroughly documented and supported.

Due Health Benefits Fund, when shown on the format, represents the amount to be paid to the U. S. Civil Service Commission as a return of subscription charges if the amount determined by the formula is positive. This line item is applicable to the annual statement only. Item 1A for August, September, and October, covers the total subscription charges paid from the Fund in the last three months of the contract period regardless of the pay periods covered.

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